

TORONTO STOCK EXCHANGE

LISTING STATEMENT

SPARTAN AIR SERVICES LIMITED

Incorporated under the laws of Canada by Letters Patent
 dated August 30th, 1946

COMMON SHARES WITHOUT NOMINAL OR PAR VALUE CAPITALIZATION AS AT JANUARY 25th, 1957

FUNDED DEBT	Authorized	Outstanding	To be Listed
6% Industrial Development Bank Loan.....	(1)	\$ 584,320	
Debentures	(2)		
6% Sinking Fund Debentures, Series A.....		\$1,500,000	
CAPITAL STOCK			
Class A 6% cumulative redeemable preferred shares of the par value of \$100 each.....	1,350 shs.	1,350 shs.	
Class B 6% cumulative redeemable preferred shares of the par value of \$100 each.....	8,500 shs.	(3)	
Common shares without nominal or par value.....	750,000 shs. (4)	221,490 shs.	221,490 shs.
(1) The Company has covenanted in the Trust Indenture relating to the Debentures that it will not borrow in the aggregate an amount in excess of \$700,000 from the Industrial Development Bank under the present security.			
(2) Unlimited as to principal amount but additional debentures may be issued only upon compliance with the provisions contained in the Trust Indenture.			
(3) Of the authorized Class B preferred shares, 457 shares were issued all of which have been purchased for cancellation.			
(4) 200,000 common shares have been reserved for issuance against the exercise of outstanding Share Purchase Warrants.			

Ottawa, Ontario,
 January 25th, 1957.

1. APPLICATION

SPARTAN AIR SERVICES LIMITED (hereinafter called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 221,490 Common Shares without nominal or par value in the capital stock of the Company outstanding at the date hereof as fully paid and non-assessable, particulars as to the issuance of which are set forth in the prospectus hereinafter mentioned.

2. REFERENCE TO ATTACHED PROSPECTUS

Reference is made to the attached prospectus relating to the offering of 30,000 Common Shares without nominal or par value in the capital stock of the Company which forms part of this application.

3. INCORPORATION AND CAPITAL AND OTHER CHANGES

The Company was incorporated under the laws of Canada by Letters Patent dated August 30, 1946, as a private Company with an authorized capital of 1,350 preferred shares of the par value of \$100 each and 15,000 common shares without nominal or par value. By Supplementary Letters Patent dated October 21, 1955, the said 1,350 preferred shares of the par value of \$100 each were redesignated as 1,350 Class A preferred shares of the par value of \$100 each, the capital of the Company was increased by the creation of 8,500 Class B preferred shares of the par value of \$100 each and the said 15,000 shares without nominal or par value were sub-divided into 150,000 common shares without nominal or par value all as provided for in the said Supplementary Letters Patent.

By Supplementary Letters Patent dated November 14, 1956, the Company was converted into a public Company and its authorized capital was increased by the creation of an additional 600,000 common shares without nominal or par value.

This listing statement is a copy of the listing application made by the applicant company. The Exchange has received no consideration in connection with the issue of this listing statement other than the customary listing fee. The papers and exhibits submitted by the applicant company in support of the listing application are open for inspection at the general office of the Exchange.

4.

OPINION OF COUNSEL

Messrs. Herridge, Tolmie, Gray, Coyne & Blair, 77 Metcalfe Street, Ottawa, Ontario, Counsel for the Company, are to file in support of this application an opinion stating that the Company has been duly organized and is a valid and subsisting company incorporated under the laws of Canada, and that 221,490 Common Shares without nominal or par value in the capital stock of the Company have been validly issued and are outstanding as fully paid and non-assessable.

5.

DIVIDEND RECORD

The amount of dividends paid by the Company since its incorporation are as follows:

CALENDAR YEAR	COMMON SHARES	SERIES A PREFERRED SHARES	SERIES B PREFERRED SHARES (Note 2)
1947	Nil	Nil	
1948	Nil	\$1,260	
1949	Nil	2,520	
1950	Nil	1,260	
1951	Nil	1,260	
1952	Nil	Nil	
1953	\$3,000	\$3,839.65	
1954	Nil	Nil	
1955	\$15,000	\$6,381.61	
1956	\$ 9,827	\$2,520	Nil

NOTES: 1. In addition in 1956 dividends of \$5,173 have been declared on the common shares and dividends of \$5,160 have been declared on the Series A Preferred Shares, which dividends are unpaid at the date hereof.
2. No Series B Preferred Shares were outstanding prior to December, 1955. The dividends on the common shares shown above as paid in 1956 were declared prior to the issue of the Series B preferred shares.

6.

LISTING ON OTHER STOCK EXCHANGES

The shares of the Company are not listed on any other stock exchanges, nor is application being made for any such listing at the present time.

7.

STATUS UNDER SECURITIES ACTS

The 30,000 common shares of the Company offered for sale by the above mentioned prospectus and the \$1,500,000 principal amount of 6% Sinking Fund Debentures, Series A, offered for sale by a similar prospectus were qualified for sale to the public through registered brokers in all the Provinces of Canada except for Prince Edward Island and Newfoundland.

8.

FISCAL YEAR

The Company's year ends on December 31st in each year.

9.

ANNUAL MEETING

The by-laws of the Company provide that annual meetings shall be held at the head office of the Company or at such other place as may be fixed from time to time by resolution of the board of directors, and provide that annual meetings of shareholders shall be held on the third Monday in the month of January in each year or such other date as the directors may determine, provided however, that such annual meeting shall not take place more than four months after the end of the financial year. The last annual meeting was held on April 26, 1956.

10.

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company at its offices in the Cities of Toronto, Montreal, Winnipeg and Vancouver is the transfer agent and registrar for the Common Shares without nominal or par value in the capital stock of the Company.

11.

TRANSFER FEE

No fee is charged on transfers of the Common Shares without nominal or par value in the capital stock of the Company other than Government stock transfer taxes.

CERTIFICATE

Pursuant to a resolution duly passed by its Board of Directors the applicant company hereby applies for listing of the above-mentioned securities on The Toronto Stock Exchange, and the undersigned officers thereof hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.



SPARTAN AIR SERVICES LIMITED

"D. W. HAYWORTH", Managing Director.

"W. H. MORTON", Secretary-Treasurer.

STATEMENT SHOWING NUMBER OF SHAREHOLDERS

Distribution of Common stock as of February 14th, 1957

Number					Shares
87	Holders of	1 - 100	share lots		3,885
8	" "	101 - 200	" "		1,417
2	" "	201 - 300	" "		600
1	" "	301 - 400	" "		330
4	" "	401 - 500	" "		1,950
8	" "	501 - 1000	" "		5,785
18	" "	1001 - up	" "		207,523
128 Stockholders					Total shares..... 221,490

A copy of this prospectus has been filed with the Secretary of State of Canada in accordance with the provisions of the Companies Act of Canada.

This prospectus is not, and under no circumstances is to be construed as, a public offering of any of the Debentures or Shares referred to herein for sale in the United States of America or in the territories or possessions thereof.

30,000 Shares

Spartan Air Services Limited

(Incorporated under the laws of Canada)

Common Shares Without Nominal or Par Value

Transfer Agent and Registrar

The Royal Trust Company, Toronto, Montreal, Winnipeg and Vancouver

An application for the listing on The Toronto Stock Exchange of the common shares without nominal or par value in the capital stock of the Company to be outstanding has been approved subject to the filing of documents and evidence of satisfactory distribution.

We, as principals, offer these 30,000 common shares without nominal or par value in the capital stock of Spartan Air Services Limited if, as and when issued and received by us from Spartan Air Services Limited, subject to prior sale and change in price and subject to the approval of all legal matters on our behalf by Messrs. Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto, Ontario, and on behalf of the Company by Messrs. Herridge, Tolmie, Gray, Coyne & Blair, Ottawa, Ontario.

PRICE: \$9.25 per share

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

It is expected that interim share certificates, later exchangeable for definitive certificates, will be ready for delivery on or about December 12, 1956.

SPARTAN AIR SERVICES LIMITED

Ottawa, Ontario,
November 28th, 1956.

GAIRDNER, SON & COMPANY LIMITED,
Toronto, Ontario.

Dear Sirs:

With reference to the proposed offering of \$1,500,000 principal amount of 6% Sinking Fund Debentures, Series A, carrying Share Purchase Warrants, and 30,000 common shares of Spartan Air Services Limited, I take pleasure in providing the following information:

The Company

Spartan Air Services Limited (hereinafter sometimes referred to as the "Company" or "Spartan") was incorporated under the laws of Canada on August 30, 1946.

The Company is one of the largest aerial survey companies in the world. The operations are centred on the survey and study of the development of natural resources in the broadest sense. The Company, in conjunction with Aerophysics of Canada Limited and Canadian Aero Service, Limited, provides airborne photographic and geophysical surveys.

Through the Resources Engineering Division Spartan offers expert technical assistance in planning for the utilization of natural resources. The Company's Helicopter Division has grown from a support function for survey work to its present status as an integrated division. This Division, in addition to supporting the Company's own survey activities, furnishes transport services and modern shop facilities on a commercial basis.

Capitalization

(after giving effect to the present financing)

	Authorized	Outstanding
6% Industrial Development Bank Loan.....	(1)	\$ 584,320
Debentures	(2)	
6% Sinking Fund Debentures, Series A.....		\$1,500,000
Preferred Shares		
Class A, cumulative redeemable, 6% \$100 par.....	1,350 shs.	1,350 shs.
Class B, cumulative redeemable, 6% \$100 par.....	8,500 shs.	(3)
Common shares without nominal or par value.....	750,000 shs. (4)	221,490 shs.

- (1) The Company will covenant in the Trust Indenture relating to the Debentures that it will not borrow in the aggregate an amount in excess of \$700,000 from the Industrial Development Bank under the present security.
- (2) Additional debentures may be issued upon compliance with the provisions to be contained in the Trust Indenture.
- (3) Of the authorized Class B preferred shares, 457 shares have been issued and will have been purchased for cancellation.
- (4) 200,000 common shares are to be reserved for issuance against the exercise of the Share Purchase Warrants to be outstanding.

Photographic Surveys

Aerial photography is used for the production of maps, for the study of forestry, geology and agriculture and for the planning of engineering projects. The industry owes much of its development to the valuable contribution which aerial photography made to operations in World War II. Aerial surveys are now playing a vital part in the long range economic planning being carried out by governments in various parts of the world. The results in Canada and abroad have been such as to encourage the continuance of these programmes. Surveys have in many instances developed into long term projects, both from the standpoint of their magnitude and from the desirability of having new surveys to reflect the changes of time in the ground features. Aerial photography is finding increased use by industry in such fields as forestry, mining, oil exploration and production and in construction engineering.

A complete inventory of the nation's forests was called for under the Canada Forestry Act of 1949; Spartan did much of the work in taking aerial photographs in Ontario, Manitoba, Alberta, New Brunswick and Nova Scotia. From these aerial photographs, forestry engineers could type and count timber species and inspect trees. When the Canadian government undertook a major mapping programme of Canada, Spartan pioneered the high altitude photography needed for the initial mapping purposes and has continued to participate in all phases of this programme. Photographic surveys, including Shoran controlled photography, have been undertaken for the Department of National Defence. The technical ability and knowledge which the company has built up and the successful record of performance have continued to open up new opportunities.

Aerial photography operations have been carried out not only in Canada, but in the United States, British Guiana, British Honduras, Colombia, Liberia and other parts of the world. Customers have included both governments and private industry, the latter comprising major communications, engineering, mining, oil and forestry products companies. Work for private industry has included surveys for micro-wave networks, pipelines and other engineering projects.

Geophysical Surveys

In the planning by both governments and industry for the utilization of mineral resources, airborne geophysical surveys have assumed a vital role. Both groups utilize such surveys in their long range economic planning as well as in their current exploration and development programmes. The Company maintains airborne magnetometers, electromagnetometers and gravity meter equipment. Spartan has worked with many major mining companies in the development of airborne geophysical tools and techniques and, in fact, pioneered the use of the airborne electromagnetometer with helicopters. Geophysical work has been done by the Company in Canada, the United Kingdom, the United States, India, the Philippines and in other parts of the world. Major mining and oil companies account for 70% of this portion of the Company's business.

Resources Engineering Division

The Resources Engineering Division operates not only in support of the Company's photographic and geophysical survey operations, but also sells an engineering service backed up by experts in geology, soils,

forestry, geophysics and photogrammetry. This Division offers assistance in development planning and in the ways in which aerial surveys can be used. For example, in the undertaking of an engineering project, it is possible to locate by air such needed materials as fill and aggregate, to determine the quantities available and optimum means and routes of transportation.

Helicopter Division

Since 1950, when Spartan purchased its first helicopter, this Division has grown rapidly. While Spartan's helicopter fleet is principally employed in conjunction with exploration operations for the major mining and oil companies and for government departments, additional uses have steadily developed. These include the engineering and construction of railroads, mines, micro-wave networks and power lines; the transportation of equipment and supplies for exploration parties; and the patrol of forest areas and micro-wave network installations. Customers have been major engineering, mining, communication and oil companies and governments.

An outgrowth of the helicopter operation has been the development of Spartan's modern maintenance facilities for all repairs and servicing, except engine overhaul. Spartan overhauls and rebuilds not only for itself, but for the Royal Canadian Navy, the Royal Canadian Air Force and commercial operators. With the opening of the Company's new helicopter hangar and maintenance shops in December of this year these services will be appreciably expanded. Spartan operates a helicopter flying and engineering school under the authorization of the Department of Transport. In the new and rapidly expanding helicopter field there has been an extreme shortage of trained personnel. Spartan is concentrating its efforts on the training of pilots and engineers for its own operations and for others.

Western Division

The Western Division, with headquarters in Calgary, has fixed wing and helicopter equipment based under its own control and maintains its own photographic laboratories.

Overseas Division

The Overseas Division controls and co-ordinates the operation of all projects carried on outside of Canada. The division is managed by Mr. P. E. Palmer, former chief topographical engineer of the Canadian government. The Division maintains its own overseas sales organization and a small administrative staff. Operational personnel are drawn from the Company's regular operating divisions. European sales, under the direction of Major-General R. Ll. Brown, President of the International Society of Photogrammetry, are handled from Spartan's London, England office. Latin American sales and operations are managed by Mr. D. W. McLarty. Mr. George Shaw, geologist and geophysicist, directs the operation of the Far Eastern section.

Countries in many parts of the world are becoming increasingly aware of the need to inventory their natural resources. It is expected that this will evidence itself in greater opportunities for the companies operating in this field. Outside of Canada, Spartan has already undertaken operations in Liberia, the United Kingdom, the United States, British Guiana, British Honduras, Colombia, India and the Philippines. The Company is now starting a new magnetometer survey in Malaya.

Equipment

Spartan owns 47 aircraft of which 27 are fixed-wing machines and 20 are helicopters. The fixed-wing fleet consists of:

2 Lancasters	1 Beechcraft 17
8 Mosquitos	1 Piper Cub
2 DC3's	1 Cessna 310
7 Ansons	5 Mosquitos (factory new in reserve)

The air survey division has 15 aerial cameras. These range in cost from about \$5,000 to \$15,000 each. Five of these are Swiss Wild cameras now considered to be the best available. It is planned to buy an additional three Swiss Wild cameras in the near future.

The helicopter division operates a fleet of 20 Bell Helicopters. A more powerful model is now available and the Company plans to purchase initially two of these.

The helicopter and fixed-wing shops are equipped for all necessary aircraft overhaul and repair other than engine overhaul, which is normally done in special engine shops. Facilities include machine, welding, sheet metal, instrument and radio shops.

The photographic laboratories are equipped with the modern equipment needed to carry out large scale photo survey operations. This equipment includes, among other items, new electronic printers and precise enlarging and rectifying machines.

Engineering & Research Division

The Spartan Engineering and Research Division designs modifications for aircraft and instruments and studies equipment for improved operation and for better installation. Staffed with professional engineers, this Division, in support of the Company's operations, does research in the fields of electronics, aeronautics, instrument design and photogrammetry.

Aerophysics of Canada Limited

Aerophysics of Canada Limited, which is to become a wholly-owned subsidiary of Spartan, carries out electromagnetic surveys. Aerophysics owns 2 electromagnetometers which it operates under license from Dominion Aerotronics Limited and has additional instruments currently being manufactured. This licensing agreement provides exclusive world rights with sub-licensing privileges for the sale of survey work using this particular equipment.

Management & Personnel

The President and co-founder of Spartan, Mr. John A. Roberts, served with the R.C.A.F. during World War II as a photographic reconnaissance pilot. Prior to this he studied engineering at the

University of Manitoba. Originally working with the Company as a pilot, he became Operations Manager and today devotes his full time and energy to his office as President of the Company. The Vice-President and co-founder, Mr. Russell L. Hall, served with R.C.A.F. reconnaissance squadrons. Mr. Hall originally served as a navigator for Spartan, becoming Assistant Manager and Secretary-Treasurer before assuming his present post. The Managing Director, Mr. Donald W. Hayworth, served as a fighter pilot with the R.C.A.F. and is a commerce graduate of the University of Saskatchewan. Having joined Spartan as a pilot in 1952, he became Western Manager and then Assistant Manager of the Company. Mr. William H. Morton, Secretary-Treasurer, joined the Company in 1952. Prior to that time he had served as an accountant with the R.A.F. in the United Kingdom and Africa and with the R.A.F. Mission in North America.

The Company has been fortunate in being able to obtain and to train the experienced personnel needed for its operations. In many instances it has been possible to draw upon the reservoir of men already trained in related skills during their military service. The Company employs a number of professional engineers and other individuals with professional standing in their fields. Among these are 4 geologists, 2 electronic engineers, 4 civil engineers, 2 geophysicists, 1 photogrammetrist, 1 mechanical engineer, 1 aeronautical engineer, 1 chemical engineer, 2 soils experts, 2 forestry engineers and a team of ground surveyors. Spartan has 44 pilots of whom 22 are qualified as helicopter pilots. Another valuable asset of the Company is its staff of highly skilled mechanics and technicians. The Company has 340 full-time employees including 25 licensed fixed-wing aircraft engineers, 16 licensed helicopter engineers and 10 aircraft radio technicians, as well as many highly skilled photographic technicians and other shop technicians.

Purpose of Issue

The proceeds of the issue by the Company of the 6% Sinking Fund Debentures, Series A (less expenses of the issue) will be used in the purchase of certain helicopters and fixed-wing aircraft and of certain communication, survey, photographic and technical service equipment and for general corporate purposes.

The proceeds of the issue by the Company of the 30,000 common shares (less expenses of the issue) will be used by the Company in partial payment for certain Class B shares of TransAir Limited.

Earnings

The following report has been furnished by the auditors of the Company with respect to the earnings of the Company:

"To the Directors,
SPARTAN AIR SERVICES LIMITED.

We have examined the books and accounts of Spartan Air Services Limited for the three years and nine months ended September 30, 1956 and of Aerophysics of Canada Limited from April 20, 1955 (date of incorporation) to September 30, 1956. Aerophysics of Canada Limited did not carry on operations prior to 1956. For the six years ended December 31, 1952 we have accepted the annual financial statements on which another firm of chartered accountants reported. Based on such examination and reports, in our opinion, subject to the notes attached hereto, the undernoted summary of earnings presents fairly the results of the operations of Spartan Air Services Limited for the nine years ended December 31, 1955 and the consolidated results of the operations of that Company and Aerophysics of Canada Limited for the nine months ended September 30, 1956.

Year Ended 31st December	Contract and Other Revenue (Note 3)	Operating and General Expenses (Note 3)	Allowance for Depreciation (Note 1)	Profit on Disposals of Assets	Provision for Taxes on Income (Note 2)	Net Income
1947	\$ 63,158	\$ 62,086	\$ 6,698	\$ 79	\$ —	\$ (5,547)
1948	100,074	87,000	8,225	(651)	350	3,848
1949	182,442	156,838	10,174	(1,786)	3,700	9,944
1950	441,637	345,459	30,647	—	25,000	40,531
1951	866,523	585,034	52,286	—	121,600	107,603
1952	1,820,675	1,522,295	186,425	—	37,500	74,455
1953	2,450,366	2,255,633	153,883	52,713	19,685	73,878
1954	2,952,041	2,562,172	205,006	14,618	87,200	112,281
1955	3,746,512	3,062,934	413,260	202,217	143,504	329,031
1956 (9 months)	3,214,758	2,734,677	186,275	92,326	92,635	293,497

NOTES:

- (1) Allowance for depreciation, in the nine month period for 1956, in the amount of \$186,275, has been made on a different basis from that used in previous financial periods resulting in a decreased charge to operations in the amount of \$127,809. Aerophysics of Canada Limited did not make provision for depreciation or amortize any portion of development costs for equipment during its initial operating period of the nine months ended September 30, 1956.
- (2) Provision for taxes on income for the years 1947 to 1955 are as provided in the annual financial statements. The provision for the nine month period in 1956 is calculated on the basis of maximum depreciation of \$294,790 allowable under regulations made under the Income Tax Act. The resulting reduction in provision for taxes is \$51,002. The Company has been assessed to 1953.
- (3) Including, in 1956, the estimated revenue and the operating and general expenses relating to work done under non-contractual arrangement for aerial photography. (See Note (1) to Balance Sheet.)
- (4) The results of the operations of Aerophysics of Canada Limited for the nine months ended September 30, 1956, which are consolidated above, are as follows: contract and other revenue—\$122,471; operating and general expenses—\$137,216; net loss—\$14,745.
- (5) In the preparation of this statement, earnings as shown in the annual reports published by the companies in each year have been re-stated to reflect some reclassification and subsequent adjustments, with the result that certain figures set forth above vary from the figures in such annual reports.
- (6) Brackets around dollar amounts denote losses.

Ottawa, Canada,
November 28, 1956.

(Signed) RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants."

Sinking Fund

The Company will covenant in the Trust Indenture to establish a sinking fund to provide for the retirement of \$150,000 principal amount of Series A Debentures on December 1 in each of the years 1957 to 1965 inclusive. Such sinking fund and the retirement of \$150,000 principal amount of Series A Debentures at maturity are expected to provide for the retirement of all the Series A Debentures to be outstanding.

The Company will have the right to purchase Series A Debentures in the market or by private contract at prices not exceeding the principal amount thereof plus accrued interest and costs of purchase. All Series A Debentures purchased or redeemed (except Series A Debentures (a) purchased or redeemed

out of sinking fund moneys, (b) retired out of the proceeds of the sale of certain assets as referred to in Clause H hereinafter set forth, (c) tendered for cancellation in connection with the issuance of shares pursuant to the Share Purchase Warrants referred to in paragraph 15 of the Statutory Information or (d) retired out of funds received by the Company upon the exercise of any such Share Purchase Warrants) shall, notwithstanding the cancellation thereof, be available to the Company as a sinking fund credit which at the election of the Company may be applied (to the extent not theretofore applied) in denominations of \$500 and multiples thereof in satisfaction in whole or in part of required sinking fund payments payable thereafter.

Reference is made to Paragraph 11 of the Statutory Information forming a part of this prospectus and containing in more complete detail the provisions relating to this Sinking Fund.

Share Purchase Warrants

The Series A Debentures when originally issued in definitive form will have attached thereto Share Purchase Warrants entitling the registered holders to purchase 50 common shares in the capital stock of the Company (as presently constituted) in respect of each \$500 principal amount of Series A Debentures at any time after the issuance of such Warrants and up to and including December 1, 1966 at the following prices:

\$10.00 per share if exercised on or before December 1, 1962; thereafter

\$12.00 per share if exercised on or before December 1, 1964; and thereafter

\$14.00 per share if exercised on or before December 1, 1966, after which date the Share Purchase Warrants will be void.

No Share Purchase Warrant attached to a Series A Debenture may be detached until December 2, 1957 unless (i) the Series A Debenture to which such Warrant is attached is called for redemption or purchased by the Company prior to that date or (ii) Gairdner, Son & Company Limited by notice in writing to the Company specifies an earlier date on and after which such Share Purchase Warrants may be detached or (iii) such Warrant is exercised as to all the shares which the registered holder thereof is entitled to purchase pursuant thereto. The registered holders of such Share Purchase Warrants shall be entitled to tender Series A Debentures (in a principal amount up to but not exceeding the purchase price hereinbefore mentioned) for cancellation at their principal amount in satisfaction or part satisfaction, as the case may be, of the purchase price of the shares to be issued upon the exercise of the right of purchase provided in such Warrants.

The number of common shares issuable pursuant to the Warrants will be subject to adjustment in certain events including a subdivision or consolidation of the common shares of the Company (as presently constituted) and the issuance by the Company at any time of any shares (other than a maximum of 30,000 common shares which may be issued pursuant to the terms of stock option or stock purchase agreements which may be entered into with employees of the Company, other than the 30,000 common shares to be issued by the Company as referred to in subdivision (ii) of paragraph 15 of the Statutory Information and other than certain common shares issued or to be issued by the Company as referred to in paragraph 23 of the Statutory Information) of the same class as those then issuable pursuant to such Warrants at a price per share less than the price per share then payable pursuant to the said Warrants.

After December 1, 1958 the Company may call for redemption all the outstanding Share Purchase Warrants at the price of \$5.00 in respect of each common share (as presently constituted) covered by the Warrants in which event the right to exercise the Warrants will terminate on the expiration of 60 days following such call for redemption.

Reference is made to paragraph 15 of the Statutory Information for further particulars as to the Warrants and for a description of the Warrant Indenture to be made as of November 30, 1956, between the Company and The Royal Trust Company, as Trustee, under which the Warrants will be issued.

Certain Provisions of the Trust Indenture

The \$1,500,000 aggregate principal amount of 6% Sinking Fund Debentures, Series A (herein sometimes referred to as the "Series A Debentures") now proposed to be issued are to be direct obligations of the Company, are to be issued under and secured by a trust indenture (herein referred to as the "Trust Indenture") to be dated as of December 1, 1956 and to be entered into between the Company and The Royal Trust Company, as Trustee, and are, in the opinion of counsel, to be secured by a floating charge under the laws of Ontario, Manitoba, Saskatchewan and Alberta upon the undertaking and all property and assets of the Company in such provinces now owned or hereafter acquired but subject to an exception as to the last day of the term of any lease or agreement therefor. The Company is to covenant in the Trust Indenture that it will take all appropriate steps to make a similar floating charge effective in any of the other provinces or territories of Canada in which the Company may carry on business or become registered to carry on business. The Trust Indenture will provide that the chattel mortgages and debenture which the Company has issued to the Industrial Development Bank as mentioned in paragraph 8 of the Statutory Information shall have and be entitled to priority over the floating charge created by the Trust Indenture.

The Trust Indenture is to contain provisions permitting the issuance (subject as hereinafter provided) from time to time of additional Debentures (herein called "Additional Debentures") thereunder without limitation as to aggregate principal amount, which Additional Debentures will rank equally and ratably with the Series A Debentures save only as to sinking fund provisions applicable to different issues and the principal, premium, if any, and interest of and on such Additional Debentures may be payable in such currency or currencies as may be determined by the Company at the time of the issue thereof.

The Trust Indenture is also to provide, among other things, that so long as any of the Series A Debentures remain outstanding:

A. The Company will not create any mortgage, hypothec, charge, pledge, lien or encumbrance upon any of its assets ranking or purporting to rank in priority to or *pari passu* with the said floating charge and the Company will not permit any wholly-owned subsidiary to mortgage, hypothecate, charge, pledge or otherwise encumber any of its assets to secure any moneys, debts, liabilities, bonds, debentures, notes or other obligations, other than the Debentures issued under the Trust Indenture (hereinafter called the "Debentures") or any funded obligations issued to the Company.

B. The Company will not issue any Additional Debentures under the Trust Indenture or issue or become liable on or permit any subsidiary to issue or become liable on any other funded obligations unless

- (i) the consolidated net earnings of the Company and its subsidiaries for any 12 consecutive months out of the 18 months next preceding such issue or next preceding the Company or a subsidiary so becoming liable, as the case may be, shall have been at least equal to three times the aggregate

annual interest requirements of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such issue or immediately after the Company or a subsidiary so becoming liable, as the case may be; and

- (ii) the consolidated net tangible assets of the Company and its subsidiaries (less an amount equal to the amount, if any, at the time owing on account of principal on loans under the present security from the Industrial Development Bank) shall be equal to at least twice the principal amount of all consolidated funded obligations (excluding loans from the Industrial Development Bank under the present security) of the Company and its subsidiaries to be outstanding immediately after such issue or immediately after the Company or a subsidiary so becoming liable, as the case may be.

Provided that for all purposes of the Trust Indenture any funded obligations outstanding at the time of any such issue or of the Company or a subsidiary so becoming liable, as the case may be, which are to be retired within one week following such time and all moneys required to retire which are paid to the Trustee at such time or the payment of which moneys is provided for to the satisfaction of the Trustee at such time shall be deemed not to be outstanding immediately after such issue or immediately after the Company or a subsidiary so becoming liable, as the case may be.

C. No Additional Debentures or other funded obligations of the Company will be issued under the Trust Indenture or otherwise having a maturity date prior to December 1, 1966 other than Debentures or other obligations maturing serially.

D. The aggregate amount payable by way of serial maturities and/or mandatory principal or sinking fund payments (which in the case of a payment to retire a specified principal amount shall for the purposes of this Clause D be deemed to be the principal amount so to be retired) in any year in respect of the funded obligations of any issue of the Company shall not be greater than 10% of the aggregate principal amount issued of the funded obligations of such issue, unless the annual mandatory sinking fund payments in respect of the Series A Debentures are increased proportionately.

E. The Company will not

- (i) declare or pay any dividends (other than in shares of the Company's capital stock) on any of its shares at any time outstanding; or
- (ii) redeem, reduce, purchase or otherwise pay off any of its shares at any time outstanding (except out of the proceeds of an issue of shares made at any time after September 30, 1956 and prior to or contemporaneously with any such redemption, reduction, purchase or payment); or
- (iii) pay any tax on undistributed income under the provisions of Section 105 of the Income Tax Act (R.S.C. 1952, Cap. 148) as now enacted or as the same may from time to time be amended or re-enacted or pay any tax under any similar provisions

unless immediately after giving effect to such action the aggregate amount

- (a) declared and/or paid subsequent to September 30, 1956 as dividends (other than in shares of the Company's capital stock) on all shares of all classes of the Company's capital stock; and
- (b) distributed and/or paid (on redemption, reduction, purchase or other payment off) subsequent to September 30, 1956 in respect of all shares of all classes of the Company's capital stock; and
- (c) paid subsequent to September 30, 1956 as tax as mentioned in sub-paragraph (iii) immediately preceding

will not be more than the aggregate of the consolidated net earnings available for dividends of the Company and its subsidiaries subsequent to September 30, 1956 and the net cash proceeds to the Company of the issue of any shares of its capital stock after September 30, 1956, other than the 30,000 common shares to be issued as referred to in paragraph 15 (ii) of the Statutory Information, other than the shares issued or to be issued as referred to in paragraph 23 of the Statutory Information and other than any shares issued on the exercise of any of the Share Purchase Warrants referred to in paragraph 15 of the Statutory Information; provided however that the Company shall be entitled to pay dividends of \$10,333 declared prior to September 30, 1956 and to redeem or purchase for cancellation its presently outstanding 457 Series B preferred shares and for the purposes of this Clause E such payment and such redemption or purchase for cancellation shall be deemed to have taken place prior to September 30, 1956.

F. The Company will not sell or otherwise dispose of any funded obligations of any subsidiary nor will the Company permit any subsidiary to issue, sell or otherwise dispose of or to become liable on (except to the Company or to a subsidiary of which such subsidiary is a subsidiary) any funded obligations of such subsidiary or of any other subsidiary.

G. Subject to certain exceptions to be set forth in the Trust Indenture, the Company will not sell or otherwise dispose of or permit any subsidiary to sell or otherwise dispose of (except to the Company or to a subsidiary of which such subsidiary is a subsidiary) by conveyance, transfer, lease or otherwise the assets and undertaking of the Company or of any subsidiary, as the case may be, as an entirety or substantially as an entirety.

H. In the event that the net cash proceeds of any sales or other disposals of any lands, buildings, aircraft, plant, machinery and/or equipment, whether moveable or immovable, or any interest therein received by the Company and its subsidiaries (including the proceeds of any insurance on such assets received by the Company or a subsidiary) during any fiscal year of the Company exceed the sum of \$50,000 then such net cash proceeds shall be applied (as soon as possible after the expiration of the twelve months next following such fiscal year) by the Company or the Trustee to the retirement of Series A Debentures to the extent that such net cash proceeds exceed the aggregate of (a) the amount expended by the Company and its subsidiaries within such fiscal year and/or the twelve months next following such fiscal year in acquiring lands, buildings, aircraft, plant, machinery and/or equipment, whether moveable or immovable, or any interest therein and (b) the amount, if any, by which the principal moneys owing under the present security to the Industrial Development Bank have been reduced during such fiscal year and/or the twelve months next following such fiscal year (other than by the fixed monthly instalments payable thereon); provided that in determining the amount of any such expenditures there shall be excluded: (i) any expenditure or portion thereof made in such fiscal year and/or the twelve months next following such fiscal year and previously used to reduce any amount so required to be applied to the retirement of Series A Debentures; and (ii) any expenditure made out of the proceeds of any issue of funded obligations (including the Series A Debentures), as to which a resolution of the directors shall be conclusive and binding. Any Debentures so retired are not to be retired through the sinking fund and are not to constitute a sinking fund credit. For the purpose of this Clause H net cash proceeds shall include moneys received by way of repayment of the principal of any

mortgage, note, indebtedness, lien, charge or encumbrance received or held by the Company or a subsidiary in connection with or forming any part of the consideration for any such sale or disposal, as and when such moneys are so received.

I. As and when financial statements or copies thereof of the Company and/or its subsidiaries are forwarded to shareholders of the Company the Company shall at the same time forward copies thereof to the registered holders for the time being of Series A Debentures.

The foregoing Clauses A to I inclusive and the said floating charge shall not apply to nor operate to prevent

- (i) the assuming or giving of purchase money mortgages or other purchase money liens on property acquired by the Company or by any subsidiary after December 1, 1956 up to but not exceeding 66⅔% of the cost of the property so acquired; or
- (ii) the acquiring by the Company or any subsidiary of property subject to any mortgage, lien, charge or encumbrance thereon at the time of such acquisition; or
- (iii) the extension, renewal or refunding of any mortgage, lien, charge or encumbrance permitted under subdivisions (i) or (ii) hereof or any mortgage, lien, charge or encumbrance existing on December 1, 1956 to the extent of the principal amount of the indebtedness secured by and owing under any such mortgage, lien, charge or encumbrance at the time of such extension, renewal or refunding; or
- (iv) the giving of security or the issuance or disposal of funded obligations by a subsidiary to secure the Debentures; or
- (v) the extension, renewal or refunding, by an issue of funded obligations complying with the provisions of the foregoing Clauses C and D, by the Company of any funded obligations of the Company to the extent of the principal amount of such last mentioned funded obligations at the time of such extension, renewal or refunding or the extension, renewal or refunding by a subsidiary of any funded obligations of such subsidiary to the extent of the principal amount of such funded obligations at the time of such extension, renewal or refunding; or
- (vi) the securing of any funded obligations issued as permitted under subdivision (v) hereof in the same manner as the funded obligations extended, renewed or refunded were secured at the time of such extension, renewal or refunding; or
- (vii) the Company at any time and from time to time (until the security constituted by the Trust Indenture shall have become enforceable and the Trustee shall have determined or become bound to enforce the same) from selling, alienating, leasing, assigning or otherwise disposing of or dealing with the subject matters of such floating charge in the ordinary course of its business and for the purpose of carrying on the same; or
- (viii) the giving of security or securities (except on fixed assets) by the Company or any subsidiary to any bank or banks or to any other loaning institution for present or future debts or liabilities of the Company or such subsidiary to such bank or banks or loaning institution provided that such debts or liabilities do not constitute funded obligations and any such security shall rank in priority to the said floating charge; or
- (ix) the completion of the transactions referred to in paragraph 23 of the Statutory Information; or
- (x) the borrowing of further funds from the Industrial Development Bank under the present security, provided the amounts borrowed and to be borrowed from such bank do not exceed \$700,000.

Nothing contained in the Trust Indenture is to apply to or prevent (a) the deposit of cash or obligations of the Government of Canada in connection with contracts or tenders in the ordinary course of business or to secure workmen's compensation, surety or appeal bonds, costs of litigation when required by law and public and statutory obligations; or (b) liens or claims incident to current construction, mechanics', warehousemen's, carriers' and other similar liens; or (c) the incurring of obligations under forward commitments of purchase relating to current operations or under any lease entered into in the ordinary course of business or any guarantee of such obligations given in the ordinary course of business.

The Trust Indenture will contain definitions among others of the following terms: "funded obligations", "consolidated funded obligations", "consolidated net earnings", "consolidated net earnings available for dividends", "consolidated net tangible assets", "fixed assets" and "subsidiary" and will contain appropriate provisions for the delivery of releases by the Trustee in the event of the sale or disposal by the Company of property from time to time.

The Trust Indenture will provide that the directors may from time to time determine the consolidated net tangible assets of the Company and its subsidiaries as of any date in the manner and with the effect to be set forth in the Trust Indenture. There may be included in any such determination of consolidated net tangible assets of the Company and its subsidiaries as tangible assets the net proceeds or estimated net proceeds of the sale of any shares, bonds, debentures and/or other obligations of the Company (except as otherwise provided and except to the extent that such net proceeds or estimated net proceeds have been or are to be applied within one year thereafter to the redemption, reduction, purchase or paying off of any shares of the Company as to which a resolution of the directors setting out the application or proposed application of any such net proceeds or estimated net proceeds shall be conclusive and binding) issued and/or agreed to be issued (prior to the making of such determination) for cash notwithstanding that such shares, bonds, debentures and/or other obligations may have been issued and/or agreed to be issued subsequently to the date as of which the determination is made.

Yours very truly,

(Signed) J. A. ROBERTS

President

SPARTAN AIR SERVICES LIMITED
Balance Sheet as at September 30, 1956

CURRENT		Assets	
Cash on hand.....	\$	6,179	
Accounts receivable—			
Trade.....	\$1,068,300		
Other.....	102,373	1,170,673	
Work in progress—			
Contracts—at selling price, less estimated cost to complete....	584,079		
Other (Note 1).....	406,241	990,320	
Inventories of materials and supplies at lower of cost or market value.....		253,197	
Note receivable, due June 1, 1957.....		12,500	
Prepaid expense.....		69,522	\$2,502,391
FUNDS HELD BY INDUSTRIAL DEVELOPMENT BANK—as collateral.....			50,378
INVESTMENTS—at cost.....			1,769
FIXED			
At insured value, September 30, 1956—Aircraft and aerial cameras (Note 4)...		1,600,000	
At cost—			
Land.....		46,514	
Building in progress.....		4,320	
Equipment.....	297,244		
Less: Accumulated depreciation.....	152,910	144,334	1,795,168
UNAMORTIZED LEASEHOLD IMPROVEMENTS.....			13,858
			<u>\$4,363,564</u>

CURRENT		Liabilities	
Bank loan and overdraft—secured.....	\$369,164		
Accounts payable and accrued charges.....	995,923		
Notes payable.....	128,866		
Mortgage payable—due December 31, 1956, secured by land.....	30,000		
Dividends payable.....	10,333		
Income tax payable.....	254,172	\$1,788,458	
LOAN PAYABLE—6%—Industrial Development Bank (Note 2).....		584,320	
CAPITAL AND SURPLUS			
Capital Stock			
Authorized—			
1,350 Class A preferred shares of the par value of \$100 each, 6% cumulative, redeemable			
8,500 Class B preferred shares of the par value of \$100 each, 6% cumulative, redeemable			
150,000 common shares without nominal or par value			
Issued and fully paid—			
1,350 Class A preferred shares.....	135,000		
457 Class B preferred shares.....	45,700		
150,000 common shares (Note 3).....	503		
	181,203		
Excess of insured value of aircraft and aerial cameras over depreciated cost (Note 4)	809,703		
Earned Surplus			
Balance, January 1, 1956.....	\$686,572		
Income for nine months.....	313,308	999,880	1,990,786
			<u>\$4,363,564</u>

Approved on behalf of the Board
(Signed) W. H. MORTON, *Director*
(Signed) D. W. HAYWORTH, *Director*

NOTES TO BALANCE SHEET:

(1) WORK IN PROGRESS—

When the Company enters into a contract with the Canadian Government for certain aerial photography, a non-contractual arrangement is usually made for similar photography of areas situated relatively near to the contract area. Of the amount of \$406,241 representing such non-contract area photography, \$40,639 is at cost and \$365,602 is at the estimated sales value for which a contract is presently being negotiated with the Canadian Government. Previous non-contract area photography, with minor exceptions, has been accepted and paid for within twelve months of production.

(2) LOAN PAYABLE—6%—INDUSTRIAL DEVELOPMENT BANK—

Secured by a first fixed and specific charge on certain chattels and a first floating charge on all other property and assets; repayable \$100,000 in 1958 and \$150,000 in each subsequent year.

(3) The Company has agreed to increase its authorized capital and to issue 7,500 common shares to the Industrial Development Bank in consideration of the Industrial Development Bank Loan.

(4) Aircraft and aerial cameras costing \$1,385,376 were depreciated by \$595,079 resulting in a depreciated cost of \$790,297 as at September 30, 1956. The insured value of \$1,600,000 has been accepted by Osborn & Lange-Grant, Ltd., the insurance brokers, and by the insurance underwriters.

Auditors' Report

To the Directors,
SPARTAN AIR SERVICES LIMITED.

We have examined the above balance sheet of Spartan Air Services Limited as at September 30, 1956. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have obtained all the information and explanations we have required and, in our opinion, the above balance sheet presents fairly the financial position of the Company as at September 30, 1956 according to the best of our information and the explanations given to us and as shown by the books of the Company.

Ottawa, Canada,
November 28, 1956.

(Signed) RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants.

SPARTAN AIR SERVICES LIMITED
Pro Forma Consolidated Balance Sheet as at September 30, 1956

After giving effect, as of that date, to the following:

1. The creation of 600,000 additional common shares without nominal or par value and the issue of Supplementary Letters Patent in connection therewith.
2. The issue and sale for cash of
 - (a) \$1,500,000 6% Sinking Fund Debentures, Series A maturing December 1, 1966 at \$92.50,
 - (b) 30,000 common shares without nominal or par value at \$8.50 each, and
 - (c) share purchase warrants in respect of 200,000 common shares for \$30,000, of which share purchase warrants, warrants in respect of 150,000 common shares are to be attached to the above-mentioned debentures.
3. The purchase for cancellation at par of 457 Class B preferred shares.
4. The purchase of the 15,000 authorized and issued common shares without nominal or par value of Aerophysics of Canada Limited in consideration for the issue of 15,000 common shares without nominal or par value of Spartan Air Services Limited at \$10 each.
5. The advance to Aerophysics of Canada Limited of \$91,000 and the repayment by that Company of loans to that amount.
6. The issue and sale for cash of 6,970 common shares without nominal or par value at \$10 per share.
7. The purchase of 378,181 Class B shares of TransAir Limited at \$1 each in consideration of the issue of 12,020 common shares without nominal or par value of Spartan Air Services Limited at \$9 each, \$270,001 in cash and the assumption of a contingent liability. (Note 4).
8. The issue to the Industrial Development Bank on November 14, 1956 of 7,500 common shares for the consideration of the Industrial Development Bank loan. For record purposes these shares were valued at \$4 each by the Company's directors.
9. The revision of the terms of the Industrial Development Bank loan in regard to further advances and terms of repayment.
10. The payment of the expenses of the issues referred to in item 2 above estimated at \$35,000.

Assets

CURRENT

Cash on hand and in banks.....	\$1,220,671	
Accounts receivable—		
Trade.....	\$ 954,938	
Other.....	102,593	1,057,531
Work in progress—		
Contracts—at selling price, less estimated cost to complete.....	616,098	
Other (Note 1).....	406,241	1,022,339
Inventories of materials and supplies at lower of cost or market value.....		253,197
Note receivable, due June 1, 1957		12,500
Prepaid expense.....	69,522	\$3,635,760

FUNDS HELD BY INDUSTRIAL DEVELOPMENT BANK—as collateral..... 50,378

INVESTMENTS—at cost

378,181 Class B shares TransAir Limited	378,181	
Sundry.....	6,769	384,950

FIXED

At insured value, September 30, 1956—Aircraft and aerial cameras (Note 5)	1,600,000	
At cost—		
Land.....	46,514	
Building in progress.....		4,320
Equipment.....	437,076	
Less: Accumulated depreciation.....	152,910	284,166
		1,935,000

OTHER

Unamortized leasehold improvements.....	13,858	
Discount on debentures, less portion written off, and expenses of financing.....	117,500	
Unamortized development costs of electronic equipment.....	72,799	
Excess of cost of acquisition of shares of subsidiary company over book value of assets.....	163,995	368,152
		<u>\$6,374,240</u>

Liabilities

CURRENT

Bank loan—secured.....	\$ 281,721	
Accounts payable and accrued charges.....	1,062,556	
Notes payable.....	128,866	
Mortgage payable—due December 31, 1956, secured by land.....	30,000	
Dividends payable.....	10,333	
Income tax payable.....	254,172	\$1,767,648

LONG TERM

Loan payable—6%—Industrial Development Bank (Note 2).....	584,320	
6% Sinking Fund Debentures, Series A.....	1,500,000	2,084,320

CAPITAL AND SURPLUS

Capital Stock		
Authorized—		
1,350 Class A preferred shares of the par value of \$100 each,		
6% cumulative redeemable		
8,500 Class B preferred shares of the par value of \$100 each,		
6% cumulative redeemable		
750,000 common shares without nominal or par value (Note 3)		
Issued and fully paid—		
1,350 Class A preferred shares.....	135,000	
457 Class B preferred shares issued and purchased for cancellation		
221,490 common shares.....	613,383	
	748,383	
Excess of insured value of aircraft and aerial cameras over depreciated cost (Note 5)	809,703	
Earned Surplus.....	994,186	
Proceeds of sale of share purchase warrants.....	30,000	
	1,024,186	
Deduct: Amount written off discount on debentures.....	30,000	
Consideration attributed to 7,500 common shares issued to Industrial Development Bank for granting loan.....	30,000	
Contingent Liability—(Note 4)	60,000	964,186
		<u>2,522,272</u>
		<u>\$6,374,240</u>

Approved on Behalf of the Board

(Signed) W. H. MORTON, *Director*

(Signed) D. W. HAYWORTH, *Director*

SPARTAN AIR SERVICES LIMITED
Notes to Pro Forma Consolidated Balance Sheet
as at September 30, 1956

(1) **WORK IN PROGRESS—**

When the Company enters into a contract with the Canadian Government for certain aerial photography a non-contractual arrangement is usually made for similar photography of areas situated relatively near to the contract area. Of the amount of \$406,241, representing such non-contract area photography, \$40,639 is at cost and \$365,602 is at the estimated sales value for which a contract is presently being negotiated with the Canadian Government. Previous non-contract area photography, with minor exceptions, has been accepted and paid for within twelve months of production.

(2) **LOAN PAYABLE—6%—INDUSTRIAL DEVELOPMENT BANK—**

Secured by a first fixed and specific charge on certain chattels and a first floating charge on all other property and assets; repayable \$100,000 in 1957 and \$150,000 in each subsequent year. The Company will covenant that it will not borrow in excess of \$700,000 under the said Security.

(3) 200,000 common shares are to be reserved for issuance against the exercise of the Share Purchase Warrants entitling the registered holders thereof to purchase common shares at \$10 on or before December 1, 1962, at \$12 thereafter and on or before December 1, 1964; and at \$14 thereafter and on or before December 1, 1966.

(4) The vendors of 378,181 Class B shares of TransAir Limited originally acquired such shares in exchange for shares of Arctic Wings Limited. As part of the consideration involved in the exchange of shares the aforementioned vendors were obliged personally to indemnify TransAir Limited and Arctic Wings Limited against a claim, in connection with an accident in 1953, involving an aircraft owned by Arctic Wings Limited. The indemnities given by said vendors are now being assumed by Spartan Air Services Limited on purchasing the TransAir Limited shares. Arctic Wings Limited has been sued for \$100,000 for personal injuries and \$11,000 for property damage and it is understood that there is insurance coverage in connection with the claim for personal injuries to the extent of \$20,000. On the advice of counsel the action is being resisted.

(5) Aircraft and aerial cameras costing \$1,385,376 were depreciated by \$595,079 resulting in a depreciated cost of \$790,297 as at September 30, 1956. The insured value of \$1,600,000 has been accepted by Osborn & Lange-Grant, Ltd., the insurance brokers, and by the insurance underwriters.

Auditors' Report

To the Directors,
SPARTAN AIR SERVICES LIMITED.

We have examined the pro forma consolidated balance sheet of Spartan Air Services Limited and Aerophysics of Canada Limited as at September 30, 1956.

We report that, in our opinion, the pro forma consolidated balance sheet presents fairly the financial position of the companies as at September 30, 1956, after giving effect, as of that date, to the transactions set forth in the heading thereto, according to the best of our information and the explanations given to us.

Ottawa, Canada,
November 28, 1956.

(Signed) RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants.

STATUTORY INFORMATION

1. Spartan Air Services Limited (hereinafter called the "Company") was incorporated by letters patent dated the 30th day of August, 1946 issued pursuant to The Companies Act, 1934 (Canada). Supplementary letters patent dated October 21, 1955 and November 14, 1956 have been issued to the Company. The address of the head office of the Company is 74 Sparks Street, Ottawa, Ontario.

2. The general nature of the business actually transacted by the Company is the conduct of aerial photographic and geophysical surveys, mapping and the operation of helicopter charter services.

3. The names in full, present occupations and home addresses in full of the directors and officers are as follows:

Directors

FRED TAYLOR BRIGGS.....	<i>Executive</i>	431 Glencairn Avenue, Toronto, Ontario.
JOHN SMITH GAIRDNER.....	<i>Investment Dealer</i>	294 8th Line, Oakville, Ontario.
RUSSELL LINDSAY HALL.....	<i>Executive</i>	3645 Revelstoke Drive, Ottawa, Ontario.
DONALD WRAY HAYWORTH.....	<i>Executive</i>	257 Roger Road, Ottawa, Ontario.
WILLIAM HARRY MORTON.....	<i>Executive</i>	77 Southern Drive, Ottawa, Ontario.
JOHN ARTHUR ROBERTS.....	<i>Executive</i>	119 Southern Drive, Ottawa, Ontario.
LEONARD NELSON WATT.....	<i>Investment Dealer</i>	40 Princess Anne Cres., Toronto 18, Ontario.

Officers

JOHN ARTHUR ROBERTS.....	<i>President</i>	119 Southern Drive, Ottawa, Ontario.
RUSSELL LINDSAY HALL.....	<i>Vice-President</i>	3645 Revelstoke Drive, Ottawa, Ontario.
WILLIAM HARRY MORTON.....	<i>Secretary- Treasurer</i>	77 Southern Drive, Ottawa, Ontario.
DONALD WRAY HAYWORTH.....	<i>Managing Director</i>	257 Roger Road, Ottawa, Ontario.

4. The auditors of the Company are Messrs. Riddell, Stead, Graham and Hutchison, 63 Sparks Street, Ottawa, Ontario.

5. The Royal Trust Company, Toronto, Montreal, Winnipeg and Vancouver, is the registrar and transfer agent for the common shares of the Company and will be the registrar for the 6% Sinking Fund Debentures, Series A and for the share purchase warrants hereinafter mentioned.

6. The authorized share capital of the Company consists of 1,350 Class A preferred shares of the par value of \$100 each, 8,500 Class B preferred shares of the par value of \$100 each and 750,000 common shares without nominal or par value of which all the Class A preferred shares, 457 of the Class B preferred shares and 157,500 of the common shares have been issued and are now outstanding as fully paid. All the said outstanding Class B preferred shares are to be purchased by the Company for cancellation on or before December 10, 1956. Certain common shares, in addition to the 30,000 common shares referred to in paragraph 15 hereof, have been agreed to be issued as referred to in paragraph 23 hereof.

7. The said Class A preferred shares carry and are subject to the preferences, priorities, rights, privileges, limitations and conditions hereinafter set forth, that is to say:—

(a) The said Class A preferred shares shall confer on the holders thereof the right to a fixed cumulative preferential dividend at the rate of six per cent (6%) per annum on the capital paid up thereon and no dividends shall be paid on any other shares of the capital stock of the Company unless and until the Company shall have paid to the holders of the Class A preferred shares all dividends accrued and unpaid thereon. After the payment to the holders of the said Class A preferred shares of the said fixed cumulative preferential dividends, they shall not be entitled to any further dividends or to participate further in the profits of the Company.

(b) The holders of the said Class A preferred shares shall in the event of the winding-up of the Company, either voluntary or involuntary, have priority as to return of capital and payment of all arrears of dividend over the holders of the common shares and Class B preferred shares, but shall not be entitled to any further participation in the surplus assets of the Company.

(c) The holders of the said Class A preferred shares shall have no right to vote at any meeting of the shareholders unless dividends thereon are unpaid for a period of two (2) years, in which event the holders of the Class A preferred shares shall be entitled to one hundred (100) votes for each Class A preferred share held. Upon payment of all arrears of dividends such right to vote shall cease until a similar default occurs.

(d) The Company shall have the right and power at any time, on a resolution of the board of directors, to redeem, in whole or in part, the outstanding Class A preferred shares without the consent of the holders thereof upon thirty (30) days' written notice addressed to the holders thereof at their last known addresses as recorded in the books of the Company upon the payment of the sum of one hundred dollars (\$100) per share plus all dividends accrued and unpaid thereon. In the event that part only of the issued and outstanding Class A preferred shares is to be redeemed, then the shares to be so redeemed shall be selected *pro rata* from the holdings of the shareholders in proportion to the number of Class A preferred shares held by them or by lot in such manner as the board of directors determines. Where the holder of Class A preferred shares dies or leaves the employment of the Company, the Company may, within one (1) year of such event, redeem all or any of the Class A preferred shares held by the deceased shareholder or former employee.

(e) The Company may at any time purchase for cancellation the whole or from time to time any part of the outstanding Class A preferred shares by private agreement with the unanimous consent of the holders of the Class A preferred shares at the lowest price at which such shares are obtainable but not exceeding the redemption price hereinbefore mentioned. Class A preferred shares purchased for cancellation as aforesaid shall be deemed to be redeemed and shall be cancelled.

The said Class B preferred shares carry and are subject to the preferences, priorities, rights, limitations and conditions hereinafter set forth, that is to say:—

(a) The said Class B preferred shares shall confer on the holders thereof the right to a fixed cumulative preferential dividend at the rate of six per cent (6%) per annum on the capital paid up thereon and no dividends shall be paid on the common shares unless and until the Company shall have paid to the holders of the Class B preferred shares all dividends accrued and unpaid thereon. After the payment to the holders of the said Class B preferred shares of the said fixed cumulative preferential dividends, they shall not be entitled to any further dividends or to participate further in the profits of the Company.

(b) The holders of the said Class B preferred shares shall in winding-up, either voluntary or involuntary, have priority as to return of capital and payment of all arrears of dividends over the holders of the common shares, but shall not be entitled to any further participation in the surplus assets of the Company.

(c) The holders of the said Class B preferred shares shall have no right to vote at any meeting of the shareholders unless dividends thereon are unpaid for a period of two (2) years, in which event the holders of the Class B preferred shares shall be entitled to one hundred (100) votes for each Class B preferred share held. Upon payment of all arrears of dividends such right to vote shall cease until a similar default occurs.

(d) The Company shall have the right and power at any time, on a resolution of the board of directors, to redeem, in whole or in part, the outstanding Class B preferred shares without the consent of the holders thereof upon thirty (30) days' written notice addressed to the holders thereof at their last known addresses as recorded in the books of the Company upon the payment of the sum of one hundred dollars (\$100) per share plus all dividends accrued and unpaid thereon for the shares so redeemed. In the event that part only of the issued and outstanding Class B preferred shares is to be redeemed, then the shares to be so redeemed shall be selected *pro rata* from the holdings of the shareholders in proportion to the number of Class B preferred shares held by them or by lot in such manner as the board of directors determines. Where a holder of Class B preferred shares dies or leaves the employment of the Company, the Company may within one (1) year of such event, redeem all or any of the Class B preferred shares held by the deceased shareholder or former employee.

(e) The Company may at any time purchase for cancellation the whole or from time to time any part of the outstanding Class B preferred shares by private agreement with the unanimous consent of the holders of the Class B preferred shares at the lowest price at which such shares are obtainable but not exceeding the redemption price hereinbefore mentioned. Class B preferred shares purchased for cancellation as aforesaid shall be deemed to be redeemed and shall be cancelled.

The common shares entitle the holders thereof to one vote at all meetings of the shareholders of the Company for each common share held.

8. As security for advances not to exceed \$1,000,000 to be made to the Company from the Industrial Development Bank the Company has issued two Chattel Mortgages dated July 20, 1956 securing an aggregate principal amount of \$1,000,000 and a Debenture dated May 28, 1956 in the principal amount of \$1,000,000 under which the Company has mortgaged its aircraft and equipment (both presently owned and hereafter acquired) and subjected all its other property to a first floating charge in favour of the Industrial Development Bank. \$584,320 has been advanced and the Company is to agree in the Trust Indenture hereinafter mentioned not to borrow in excess of \$700,000 from the Industrial Development Bank under such security. The advances were originally to have been repayable \$100,000 in the year 1958 and \$150,000 in each subsequent year until repaid in full but it has been arranged with the Industrial Development Bank for the said advances to be repayable \$100,000 in 1957 and \$150,000 in each subsequent year until repaid in full. The said advances carry interest at 6% per annum. The said advances rank ahead of the 6% Sinking Fund Debentures, Series A and the 30,000 common shares mentioned in paragraph 15 hereof. The said 6% Sinking Fund Debentures, Series A rank ahead of the said 30,000 common shares. Reference is made to paragraph 23 hereof for particulars of other common shares which have been agreed to be issued and which will rank *pari passu* with the said 30,000 common shares. The common shares covered by the share purchase warrants referred to in paragraph 15 hereof also rank *pari passu* with the said 30,000 common shares.

9. Apart from the liability to be assumed by the Company referred to in paragraph 23 (c) hereof and commitments to be undertaken in the ordinary course of business there is no substantial indebtedness proposed to be created or assumed by the Company which is not shown on the pro forma consolidated balance sheet of the Company and Aerophysics of Canada Limited as at September 30, 1956 forming part of this prospectus.

10. There are no securities of the Company covered by options outstanding or proposed to be given by the Company except in connection with the share purchase warrants referred to in paragraph 15 hereof. The following includes the names of all individuals having more than a five per cent interest in Gairdner, Son & Company Limited: J. A. Gairdner, R. O. Bull, C. W. MacLean, J. S. Gairdner, G. Bray, L. N. Watt, J. D. Gibson, H. V. Shaw, J. F. Plewman, G. C. Watt.

11. The Company proposes to issue \$1,500,000 principal amount of 6% Sinking Fund Debentures, Series A (herein called the "Series A Debentures") to be dated December 1, 1956, to bear interest at the rate of 6% per annum and to mature on December 1, 1966. The offering price to the public of the Series A Debentures is \$100 per \$100 principal amount thereof and accrued interest on the principal amount thereof.

The Company also proposes to issue 30,000 common shares without nominal or par value in its capital stock to be offered to the public at an offering price of \$9.25 per share.

The Series A Debentures are to be direct obligations of the Company and are to be issued pursuant to a Trust Indenture (herein referred to as the "Trust Indenture") to be dated as of December 1, 1956 and to be entered into between the Company and The Royal Trust Company, as Trustee. The Series A Debentures are, in the opinion of counsel, to be secured by a floating charge under the laws of Ontario, Manitoba, Saskatchewan and Alberta upon the undertaking and all property and assets of the Company in such provinces now owned or hereafter acquired but subject to an exception as to the last day of the term of any lease or agreement therefor. The Company is to covenant in the Trust Indenture that it will take all appropriate steps to make a similar floating charge effective in any of the other provinces or territories of Canada in which the Company may carry on business or become registered to carry on business. The Trust Indenture will provide that the chattel mortgages and debenture which the Company has issued to the Industrial Development Bank and which are referred to in paragraph 8 hereof shall have and be entitled to priority over the floating charge created by the Trust Indenture.

The Trust Indenture pursuant to which the Series A Debentures will be issued will permit the issuance (subject as hereinafter provided) from time to time of additional Debentures (herein called "Additional Debentures") thereunder without limitation as to aggregate principal amount, which Additional Debentures

will rank equally and ratably with the Series A Debentures save only as to sinking fund provisions applicable to different issues and the principal, premium, if any, and interest of and on such Additional Debentures may be payable in such currency or currencies as may be determined by the Company at the time of the issue thereof.

The Series A Debentures will be redeemable otherwise than out of sinking fund moneys at the option of the Company, in whole at any time or in part from time to time, or out of sinking fund moneys, in each case on not less than 30 days' notice, at the principal amount thereof, together in all cases with accrued interest to the date specified for redemption. The Trust Indenture will provide that, in addition to its sinking fund obligations, the Company will use for the retirement of Series A Debentures all funds received by it upon the exercise of any of the Share Purchase Warrants with respect to 200,000 common shares in the aggregate referred to in this prospectus.

The Company will covenant in the Trust Indenture to establish a sinking fund to provide for the retirement of \$150,000 principal amount of Series A Debentures on December 1 in each of the years 1957 to 1965 inclusive.

The Company will have the right to purchase Series A Debentures in the market or by private contract at prices not exceeding the principal amount thereof plus accrued interest and costs of purchase. All Series A Debentures purchased or redeemed (except Series A Debentures purchased or redeemed out of sinking fund moneys or retired pursuant to the provisions of Clause H hereinafter set forth and except Series A Debentures tendered for cancellation in connection with the issuance of shares pursuant to the Share Purchase Warrants referred to in paragraph 15 hereof or retired out of funds received by the Company upon the exercise of any such Share Purchase Warrants) shall, notwithstanding the cancellation thereof, be available to the Company as a sinking fund credit which at the election of the Company may be applied (to the extent not theretofore applied) in denominations of \$500 and multiples thereof in satisfaction in whole or in part of required sinking fund payments payable thereafter. The Company may elect on or before October 15 in any of the years 1957 to 1965 inclusive to apply a specified amount of the Series A Debentures forming such credit in satisfaction in whole or in part of the sinking fund payment required to be made prior to December 1 of such year and the Company will be required to pay into such sinking fund prior to December 1 of such year the sum in cash required to retire on that date \$150,000 principal amount of Series A Debentures less a principal amount of Series A Debentures equal to the principal amount of Series A Debentures so applied. Such cash paid to the Trustee is to be applied in the retirement of Series A Debentures by call for redemption on December 1 of such year at the principal amount thereof together with accrued interest to the date specified for redemption, provided that such call need not be made if the moneys in the sinking fund and required to be paid into the sinking fund are less than \$25,000 and in such case such moneys may be used by the Trustee in purchasing for cancellation Series A Debentures at a price not exceeding the principal amount thereof plus accrued interest and costs of purchase. The Company is to covenant and agree in the Trust Indenture to pay to the Trustee on demand its cost of giving notice of redemption out of sinking fund moneys and any other expenses in connection therewith.

The Trust Indenture is to provide that Series A Debentures redeemed or purchased (including Series A Debentures tendered for cancellation in connection with the issuance of shares pursuant to the Share Purchase Warrants hereinafter referred to) are to be cancelled and not reissued.

The Trust Indenture will contain covenants that, so long as any of the Series A Debentures remain outstanding:

A. The Company will not create any mortgage, hypothec, charge, pledge, lien or encumbrance upon any of its assets ranking or purporting to rank in priority to or pari passu with the said floating charge and the Company will not permit any wholly-owned subsidiary to mortgage, hypothecate, charge, pledge or otherwise encumber any of its assets to secure any moneys, debts, liabilities, bonds, debentures, notes or other obligations, other than the Debentures issued under the Trust Indenture (hereinafter called the "Debentures") or any funded obligations issued to the Company.

B. The Company will not issue any Additional Debentures under the Trust Indenture or issue or become liable on or permit any subsidiary to issue or become liable on any other funded obligations unless

(i) the consolidated net earnings of the Company and its subsidiaries for any 12 consecutive months out of the 18 months next preceding such issue or next preceding the Company or a subsidiary so becoming liable, as the case may be, shall have been at least equal to three times the aggregate annual interest requirements of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such issue or immediately after the Company or a subsidiary so becoming liable, as the case may be; and

(ii) the consolidated net tangible assets of the Company and its subsidiaries (less an amount equal to the amount, if any, at the time owing on account of principal on loans under the present security from the Industrial Development Bank) shall be equal to at least twice the principal amount of all consolidated funded obligations (excluding loans from the Industrial Development Bank under the present security) of the Company and its subsidiaries to be outstanding immediately after such issue or immediately after the Company or a subsidiary so becoming liable, as the case may be.

Provided that for all purposes of the Trust Indenture any funded obligations outstanding at the time of any such issue or of the Company or a subsidiary so becoming liable, as the case may be, which are to be retired within one week following such time and all moneys required to retire which are paid to the Trustee at such time or the payment of which moneys is provided for to the satisfaction of the Trustee at such time shall be deemed not to be outstanding immediately after such issue or immediately after the Company or a subsidiary so becoming liable, as the case may be.

C. No Additional Debentures or other funded obligations of the Company will be issued under the Trust Indenture or otherwise having a maturity date prior to December 1, 1966 other than Debentures or other obligations maturing serially.

D. The aggregate amount payable by way of serial maturities and/or mandatory principal or sinking fund payments (which in the case of a payment to retire a specified principal amount shall for the purposes of this Clause D be deemed to be the principal amount so to be retired) in any year in respect of the funded obligations of any issue of the Company shall not be greater than 10% of the aggregate principal amount issued of the funded obligations of such issue, unless the annual mandatory sinking fund payments in respect of the Series A Debentures are increased proportionately.

E. The Company will not

(i) declare or pay any dividends (other than in shares of the Company's capital stock) on any of its shares at any time outstanding; or

- (ii) redeem, reduce, purchase or otherwise pay off any of its shares at any time outstanding (except out of the proceeds of an issue of shares made at any time after September 30, 1956 and prior to or contemporaneously with any such redemption, reduction, purchase or payment); or
- (iii) pay any tax on undistributed income under the provisions of Section 105 of the Income Tax Act (R.S.C. 1952, Cap. 148) as now enacted or as the same may from time to time be amended or re-enacted or pay any tax under any similar provisions

unless immediately after giving effect to such action the aggregate amount

- (a) declared and/or paid subsequent to September 30, 1956 as dividends (other than in shares of the Company's capital stock) or all shares of all classes of the Company's capital stock; and
- (b) distributed and/or paid (on redemption, reduction, purchase or other payment off) subsequent to September 30, 1956 in respect of all shares of all classes of the Company's capital stock; and
- (c) paid subsequent to September 30, 1956 as tax as mentioned in sub-paragraph (iii) immediately preceding

will not be more than the aggregate of the consolidated net earnings available for dividends of the Company and its subsidiaries subsequent to September 30, 1956 and the net cash proceeds to the Company of the issue of any shares of its capital stock after September 30, 1956 other than the 30,000 common shares to be issued as referred to in paragraph 15 (ii) hereof, other than the shares issued or to be issued as referred to in paragraph 23 hereof and other than any shares issued on the exercise of any of the Share Purchase Warrants referred to in paragraph 15 hereof; provided however that the Company shall be entitled to pay dividends of \$10,333 declared prior to September 30, 1956 and to redeem or purchase for cancellation its presently outstanding 457 Series B preferred shares and for the purposes of this Clause E such payment and such redemption or purchase for cancellation shall be deemed to have taken place prior to September 30, 1956.

F. The Company will not sell or otherwise dispose of any funded obligations of any subsidiary nor will the Company permit any subsidiary to issue, sell or otherwise dispose of or to become liable on (except to the Company or to a subsidiary of which such subsidiary is a subsidiary) any funded obligations of such subsidiary or of any other subsidiary.

G. Subject to certain exceptions to be set forth in the Trust Indenture, the Company will not sell or otherwise dispose of or permit any subsidiary to sell or otherwise dispose of (except to the Company or to a subsidiary of which such subsidiary is a subsidiary) by conveyance, transfer, lease or otherwise the assets and undertaking of the Company or of any subsidiary, as the case may be, as an entirety or substantially as an entirety.

H. In the event that the net cash proceeds of any sales or other disposals of any lands, buildings, aircraft, plant, machinery and/or equipment, whether moveable or immovable, or any interest therein received by the Company and its subsidiaries (including the proceeds of any insurance on such assets received by the Company or a subsidiary) during any fiscal year of the Company exceed the sum of \$50,000 then such net cash proceeds shall be applied (as soon as possible after the expiration of the twelve months next following such fiscal year) by the Company or the Trustee to the retirement of Series A Debentures to the extent that such net cash proceeds exceed the aggregate of (a) the amount expended by the Company and its subsidiaries within such fiscal year and/or the twelve months next following such fiscal year in acquiring lands, buildings, aircraft, plant, machinery and/or equipment, whether moveable or immovable, or any interest therein and (b) the amount, if any, by which the principal moneys owing under the present security to the Industrial Development Bank have been reduced during such fiscal year and/or the twelve months next following such fiscal year (other than by the fixed monthly instalments payable thereon); provided that in determining the amount of any such expenditures there shall be excluded: (i) any expenditure or portion thereof made in such fiscal year and/or the twelve months next following such fiscal year and previously used to reduce any amount so required to be applied to the retirement of Series A Debentures; and (ii) any expenditure made out of the proceeds of any issue of funded obligations (including the Series A Debentures), as to which a resolution of the directors shall be conclusive and binding. Any Debentures so retired are not to be retired through the sinking fund and are not to constitute a sinking fund credit. For the purpose of this Clause H net cash proceeds shall include moneys received by way of repayment of the principal of any mortgage, note, indebtedness, lien, charge or encumbrance received or held by the Company or a subsidiary in connection with or forming any part of the consideration for any such sale or disposal, as and when such moneys are so received.

I. As and when financial statements or copies thereof of the Company and/or its subsidiaries are forwarded to shareholders of the Company the Company shall at the same time forward copies thereof to the registered holders for the time being of Series A Debentures.

The foregoing Clauses A to I inclusive and the said floating charge shall not apply to nor operate to prevent

- (i) the assuming or giving of purchase money mortgages or other purchase money liens on property acquired by the Company or by any subsidiary after December 1, 1956 up to but not exceeding $66\frac{2}{3}\%$ of the cost of the property so acquired; or
- (ii) the acquiring by the Company or any subsidiary of property subject to any mortgage, lien, charge or encumbrance thereon at the time of such acquisition; or
- (iii) the extension, renewal or refunding of any mortgage, lien, charge or encumbrance permitted under subdivisions (i) or (ii) hereof or any mortgage, lien, charge or encumbrance existing on December 1, 1956 to the extent of the principal amount of the indebtedness secured by and owing under any such mortgage, lien, charge or encumbrance at the time of such extension, renewal or refunding; or
- (iv) the giving of security or the issuance or disposal of funded obligations by a subsidiary to secure the Debentures; or
- (v) the extension, renewal or refunding, by an issue of funded obligations complying with the provisions of the foregoing Clauses C and D, by the Company of any funded obligations of the Company to the extent of the principal amount of such last mentioned funded obligations at the time of such extension, renewal or refunding or the extension, renewal or refunding by a subsidiary of any funded obligations of such subsidiary to the extent of the principal amount of such funded obligations at the time of such extension, renewal or refunding; or
- (vi) the securing of any funded obligations issued as permitted under subdivision (v) hereof in the same manner as the funded obligations extended, renewed or refunded were secured at the time of such extension, renewal or refunding; or
- (vii) the Company at any time and from time to time (until the security constituted by the Trust Indenture shall have become enforceable and the Trustee shall have determined or become bound to

enforce the same) from selling, alienating, leasing, assigning or otherwise disposing of or dealing with the subject matters of such floating charge in the ordinary course of its business and for the purpose of carrying on the same; or

- (viii) the giving of security or securities (except on fixed assets) by the Company or any subsidiary to any bank or banks or to any other loaning institution for present or future debts or liabilities of the Company or such subsidiary to such bank or banks or loaning institution provided that such debts or liabilities do not constitute funded obligations and any such security shall rank in priority to the said floating charge; or
- (ix) the completion of the transactions referred to in paragraph 23 hereof; or
- (x) the borrowing of further funds from the Industrial Development Bank under the present security, provided the amounts borrowed and to be borrowed from such bank do not exceed \$700,000.

Nothing contained in the Trust Indenture is to apply to or prevent (a) the deposit of cash or obligations of the Government of Canada in connection with contracts or tenders in the ordinary course of business or to secure workmen's compensation, surety or appeal bonds, costs of litigation when required by law and public and statutory obligations; or (b) liens or claims incident to current construction, mechanics', warehousemen's, carriers' and other similar liens; or (c) the incurring of obligations under forward commitments of purchase relating to current operations or under any lease entered into in the ordinary course of business or any guarantee of such obligations given in the ordinary course of business.

The Trust Indenture will contain definitions substantially to the following effect:

"Funded obligations" means any indebtedness the principal amount of which by its terms is not payable on demand and matures more than 12 months after the date of the creation or issuance thereof and any liability (contingent or otherwise) in respect of (i) any guarantee by the Company of any such indebtedness of any person, firm or corporation other than a subsidiary and (ii) any guarantee by a subsidiary of any such indebtedness of any person, firm or corporation other than the Company or any other subsidiary.

"Consolidated funded obligations" of the Company and its subsidiaries means the aggregate amount of all funded obligations of the Company and all its subsidiaries arrived at on a consolidated basis in accordance with generally accepted accounting practice; provided always that in calculating consolidated funded obligations due allowance shall be made for the minority interest, if any, in any subsidiary.

"Consolidated net earnings" of the Company and its subsidiaries means all the gross earnings and income of the Company and all its subsidiaries from all sources less all administrative, selling and operating charges and expenses of every character and all fixed charges of the Company and all its subsidiaries other than taxes on income and interest on funded obligations (but excluding gains or losses on the disposal of investments and fixed assets) arrived at on a consolidated basis in accordance with generally accepted accounting practice. Without limiting the generality of the foregoing operating charges and expenses shall include insurance, maintenance, repairs, renewals (except such expenditures for renewals as are chargeable to capital account in accordance with generally accepted accounting practice), rentals, licences, taxes (other than taxes on income), interest (other than interest on funded obligations), such reserves for bad and doubtful debts as the directors in their discretion with the approval of the Company's auditors may determine and such provisions for depreciation, depletion and amortization, based on cost, as may be approved by the Company's auditors. In determining consolidated net earnings interest charges which will be eliminated or reduced by reason of the issuance of funded obligations shall be disregarded or adjusted. Provided that the net earnings of any subsidiary for the purpose of this definition shall only include such part of the net earnings and income of such subsidiary calculated as aforesaid as under generally accepted accounting practice is applicable to those shares of such subsidiary which are held by the Company or any other subsidiary.

"Consolidated net earnings available for dividends" of the Company and its subsidiaries means the consolidated net earnings of the Company and all its subsidiaries calculated as above provided except that in calculating consolidated net earnings available for dividends taxes on income and interest on funded obligations shall be deducted as operating charges and expenses and that the earnings or losses of any subsidiary shall only be included from the date when such subsidiary became a subsidiary of the Company (provided that the auditors of the Company shall determine the earnings or losses of any subsidiary for the period from the date when such subsidiary became a subsidiary of the Company to the end of the fiscal year of such subsidiary during which it became a subsidiary of the Company).

"Consolidated net tangible assets" of the Company and its subsidiaries means the excess of the total of the tangible assets over the total of the liabilities of the Company and all its subsidiaries arrived at on a consolidated basis in accordance with generally accepted accounting practice; provided always that in calculating consolidated net tangible assets due allowance shall be made for the minority interest, if any, in any subsidiary.

"Tangible assets" means lands, buildings, plant, equipment and all other physical assets and all current assets and all investments (including notes, mortgages, advances and other amounts receivable, all of which shall be deemed to be included in the term "investments" as used herein) and all other assets appearing on a consolidated balance sheet of the Company and its subsidiaries prepared in accordance with generally accepted accounting practice, excluding the amount, if any, at which goodwill, trade marks, trade mark rights, trade names, trade name rights, copyrights, patents, patent rights and patent licences and other similar intangible assets and unamortized debt discount and expense appear on the asset side of such consolidated balance sheet and excluding all moneys required to retire any funded obligations which are deemed not to be outstanding under the provisions of the proviso to Clause B above. The values of such assets shall be determined in the case of all such assets (other than current assets and investments) owned on September 30, 1956 by the Company or Aerophysics of Canada Limited by the values thereof shown in the audited pro forma consolidated balance sheet of the Company as at September 30, 1956 (being in the case of equipment after accumulated depreciation shown on such balance sheet and in the case of aircraft and aerial cameras at insured value) less subsequent depreciation, depletion and amortization and in the case of any such assets (except assets excluded as aforesaid) acquired after September 30, 1956 by the Company or Aerophysics of Canada Limited at the cost thereof less depreciation, depletion and amortization. In the case of any other company which becomes a subsidiary after September 30, 1956 the value of its tangible assets (other than current assets and investments) shall in the case of the first determination of the value thereof be determined by an appraiser appointed by the directors and approved by the Trustee and thereafter the value of its tangible assets (other than current assets and investments) shall be the values thereof determined by such appraiser less subsequent depreciation, depletion and amortization and in the case of any tangible assets (except as aforesaid) acquired by such subsidiary after such appraisal the cost thereof less depreciation, depletion and amortization.

For the purpose of the foregoing definition of consolidated net tangible assets "liabilities" means all liabilities of the Company and its subsidiaries other than liability for capital stock, surplus or reserves (to

the extent not required to be treated as liabilities in accordance with generally accepted accounting practice) and other than liabilities in respect of the principal, premium, if any, and sinking fund instalments, if any, in respect of any funded obligations and other than any deferred credit in respect of or any reserve or provision for deferred taxes on income arising from the excess (less deficiencies) of any provisions for taxes on income for any fiscal period or periods over the amount of such taxes payable for any such fiscal period or periods because the provision for depreciation of buildings, plant, aircraft and equipment recorded in the books of the Company and/or its subsidiaries in respect of such fiscal period or periods is or was less (or greater) than the capital cost allowance (or depreciation or similar allowance) in respect of such buildings, plant, aircraft and equipment claimed or to be claimed as a deduction in determining taxes on income for such fiscal period or periods. Contingent liabilities shall likewise be excluded except to such extent, if any, as the directors in their discretion shall determine that special provision should be made in the accounts for meeting such contingent liabilities.

“Current assets” means accounts receivable, bills and notes receivable and similar items receivable in the ordinary course of business (less such allowances for bad and doubtful debts as the directors in their discretion with the approval of the Company’s auditors may determine), cash on hand and in bank, bonds and obligations of or guaranteed by the Government of Canada or any Province of Canada and other investments (which term shall include bonds, debentures, debenture stock, shares and obligations of incorporated companies other than funded obligations issued by the Company or any subsidiary) which are readily saleable and which in accordance with generally accepted accounting practice may properly be grouped as current assets taken at their quoted market value, prepaid interest, insurance, municipal taxes and similar prepaid expenses of a current nature, stock in trade including all manufactured products of the Company and its subsidiaries and all inventories of materials and supplies necessary for the operations of the plants and/or the manufacturing of the products of the Company and its subsidiaries, such stock in trade, manufactured products, materials and supplies to be valued at the lower of cost or market value, cash surrender value of life insurance policies payable to the Company or its subsidiaries and such other assets as are usually regarded as current by companies conducting a business similar to that of the Company and/or its subsidiaries.

“Fixed assets” means such assets as are treated as fixed assets in accordance with generally accepted accounting practice.

“Subsidiary” or “subsidiary company” means any corporation or company of which more than 50% of the outstanding shares carrying voting rights at all times (provided that the ownership of such shares confers the right at all times to elect at least a majority of the board of directors of such corporation or company) are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a subsidiary.

The Trust Indenture will provide that if any property or any shares of any other company (sufficient with any other shares of such other company already owned by the Company or a subsidiary to result in such other company becoming a subsidiary) are owned or are in process of being acquired or are proposed to be acquired by the Company or any subsidiary at the time of determining consolidated net tangible assets of the Company and its subsidiaries and/or consolidated funded obligations of the Company and its subsidiaries and/or consolidated net earnings of the Company and its subsidiaries and if the net proceeds of the then proposed issue of funded obligations of the Company are to be applied directly or indirectly towards the cost of or in reimbursement of the cost of the acquisition of such property or shares as to which a resolution of the directors shall be conclusive and binding, then (i) provided that the net proceeds or estimated net proceeds of the sale of such proposed issue of funded obligations are not included in such determination of consolidated net tangible assets as tangible assets, the tangible assets of or comprised in such property or such other company, the liabilities of or pertaining to such property or such other company and the funded obligations of or attached to such property or such other company (calculated in accordance with the provisions of the Trust Indenture respecting consolidated net tangible assets and consolidated funded obligations) shall be treated as tangible assets and/or liabilities and/or funded obligations in the computation of consolidated net tangible assets and/or consolidated funded obligations and (ii) the net earnings or net losses of such property or such other company (calculated in accordance with the provisions of the Trust Indenture respecting consolidated net earnings) for the whole of the period for which consolidated net earnings are to be computed shall, if in the opinion of the Company’s auditors the Company has access to data sufficient to enable such auditors to determine such net earnings or net losses, be treated as net earnings or net losses, as the case may be, in the computation of consolidated net earnings.

The Trust Indenture will provide that the directors may from time to time determine the consolidated net tangible assets of the Company and its subsidiaries as of any date in the manner and with the effect to be set forth in the Trust Indenture. There may be included in any such determination of consolidated net tangible assets of the Company and its subsidiaries as tangible assets the net proceeds or estimated net proceeds of the sale of any shares, bonds, debentures and/or other obligations of the Company (except as otherwise provided and except to the extent that such net proceeds or estimated net proceeds have been or are to be applied within one year thereafter to the redemption, reduction, purchase or paying off of any shares of the Company as to which a resolution of the directors setting out the application or proposed application of any such net proceeds or estimated net proceeds shall be conclusive and binding) issued and/or agreed to be issued (prior to the making of such determination) for cash notwithstanding that such shares, bonds, debentures and/or other obligations may have been issued and/or agreed to be issued subsequently to the date as of which the determination is made.

The Trust Indenture will contain appropriate provisions for the delivery of releases by the Trustee in the event of the sale or disposal by the Company of property from time to time.

12. The estimated net proceeds to be derived from the Series A Debentures (exclusive of the share purchase warrants to be attached thereto) is \$1,387,500, from the sale of the 30,000 common shares referred to in paragraph 15 (ii) hereof is \$255,000, and from the sale of the Share Purchase Warrants referred to in paragraph 15 (iii) hereof is \$30,000, less, in each case, legal, auditing and other expenses in connection with the issues.

13. The net proceeds of the issue of the Series A Debentures (less expenses of the issue) will be used to the extent of approximately \$1,100,000 in the purchase of certain helicopters and fixed-wing aircraft and of certain communication, survey, photographic and technical service equipment and the balance for general corporate purposes.

The net proceeds of the issue of the 30,000 common shares referred to in paragraph 15 (ii) hereof and of the Share Purchase Warrants referred to in paragraph 15 (iii) hereof, amounting in the aggregate to \$285,000 (less expenses of the issues), will be applied to the extent of \$270,001 on the purchase of certain shares of TransAir Limited as referred to in paragraph 23(c) hereof and the balance for general corporate purposes.

The balance of the purchase price for such last mentioned shares will be satisfied by the issuance of other common shares as referred to in said paragraph 23(c) hereof.

There is no provision for the holding in trust of the proceeds of the issues of the Series A Debentures, of the 30,000 common shares or of the Share Purchase Warrants.

14. In the opinion of the directors the minimum amount which must be raised by the issue of the said 30,000 common shares to provide the sums required for the purpose of the issue thereof mentioned in paragraph 13 hereof is \$255,000.

15. The Company proposes to issue and sell the following securities:

- (i) \$1,500,000 aggregate principal amount of Series A Debentures;
- (ii) 30,000 common shares without nominal or par value in the capital stock of the Company; and
- (iii) Share Purchase Warrants entitling the registered holders thereof to purchase in the aggregate 200,000 common shares (as presently constituted).

By underwriting agreement dated November 9, 1956 the Company has agreed to sell the said securities hereinbefore in this paragraph mentioned to Gairdner, Son & Company Limited and Gairdner, Son & Company Limited has agreed to purchase the said securities subject to the fulfilment of certain terms and conditions for \$92.50 per \$100 principal amount plus accrued interest on the principal amount in the case of the Series A Debentures, for \$8.50 per share flat in the case of the 30,000 common shares and for an aggregate price of \$30,000 in the case of the Share Purchase Warrants. Payment of the purchase price for the said securities is to be made in cash against delivery of (a) the Series A Debentures in interim form, (b) certificates for the said 30,000 common shares without nominal or par value and (c) Share Purchase Warrants in respect of 50,000 common shares without nominal or par value. The balance of the Share Purchase Warrants (being in respect of 150,000 common shares) are to be attached to the Series A Debentures when the same are originally issued in definitive form as hereinafter mentioned.

The said underwriting agreement provides that there shall be attached to the Series A Debentures, when originally issued in definitive form, Share Purchase Warrants in definitive form entitling the registered holders thereof to purchase 50 common shares without nominal or par value in the capital stock of the Company (as presently constituted) in respect of each \$500 principal amount of Series A Debentures. Such Share Purchase Warrants, and the Share Purchase Warrants referred to in sub-division (c) of the preceding clause entitling the registered holders thereof to purchase in the aggregate 50,000 common shares, may be exercised at any time after the issuance of such Warrants and up to and including December 1, 1966 at the following prices:

\$10.00 per share if exercised on or before December 1, 1962; thereafter

\$12.00 per share if exercised on or before December 1, 1964; and thereafter

\$14.00 per share if exercised on or before December 1, 1966, after which date the Share Purchase Warrants will be void.

The indenture (hereinafter called the "Warrant Indenture") providing for the issue of all the Share Purchase Warrants referred to in this paragraph 15 and entitling the registered holders thereof to purchase an aggregate of 200,000 common shares (as presently constituted) will be dated as of November 30, 1956 and will be made between the Company and The Royal Trust Company. The Warrant Indenture will provide that no Share Purchase Warrant attached to a Series A Debenture when issued in definitive form may be detached until December 2, 1957 unless (i) the Series A Debenture to which such Warrant is attached is called for redemption or purchased by the Company prior to that date or (ii) Gairdner, Son & Company Limited by notice in writing to the Company specifies an earlier date on and after which the Share Purchase Warrants attached to the Series A Debentures when issued in definitive form may be detached or (iii) such Warrant is exercised as to all the shares which the registered holder thereof is entitled to purchase pursuant thereto.

The Warrant Indenture will include provisions, amongst other things, for appropriate adjustment in the number of common shares issuable pursuant to the said Warrants in certain events including a sub-division or consolidation of the common shares (as presently constituted) and the issuance by the Company at any time of any shares (other than a maximum of 30,000 common shares which may be issued pursuant to the terms of stock option or stock purchase agreements which may be entered into with employees of the Company, other than the 30,000 common shares to be issued by the Company as referred to in subdivision (ii) of this paragraph 15 and other than certain common shares issued as to be issued by the Company as referred to in paragraph 23 hereof) of the same class as those then issuable pursuant to the said Warrants at a price per share less than the price per share then payable pursuant to the said Warrants. The Warrant Indenture will also provide that the registered holders of such Share Purchase Warrants shall be entitled to tender Series A Debentures (in a principal amount up to but not exceeding the purchase price hereinafter mentioned) for cancellation at their principal amount in satisfaction or part satisfaction, as the case may be, of the purchase price of the shares to be issued upon the exercise of the right of purchase provided in such Warrants and that as and when financial statements or copies thereof of the Company and/or its subsidiaries are forwarded to shareholders of the Company the Company shall at the same time forward copies thereof to the registered holders for the time being of such Warrants. Provision will be made in the Warrant Indenture for the Company to give notice to the registered holders of the Warrants in the event of the declaration of a dividend on the common shares and in other events as to be specified in the Warrant Indenture. The Warrant Indenture will also provide that the Company may at its option at any time after December 1, 1958 call all of the outstanding Share Purchase Warrants for redemption at the price of \$5 in respect of each common share (as presently constituted) represented by the Share Purchase Warrants on giving notice thereof to the registered holders thereof; on the giving of such notice the holders of the Share Purchase Warrants shall have a period of 60 days within which to exercise their Warrants after the call for redemption of the Warrants is issued by the Company and any Warrants not exercised within the period aforesaid shall become void and the holders thereof shall, subject to the terms of the Warrant Indenture, only be entitled to receive the redemption price against surrender of their Warrants.

16. The by-laws of the Company contain the following provisions as to the remuneration of directors: "The Directors shall be paid out of the funds of the Company by way of remuneration for their services, such sum as the shareholders at the Annual or Special General Meeting may from time to time determine; such remuneration shall be divided among them in such proportion as the Directors themselves may determine; there shall also in addition thereto be paid (subject to the approval of the Board of Directors) all out-of-pocket disbursements, actually or properly incurred by them in connection with the affairs of the Company.

If any Director, being willing, shall be called upon to perform extra services, or to make any special exertion in going or residing abroad or otherwise for any of the purposes of the Company, the Company shall remunerate the Director so doing, either by a fixed sum or by a percentage of profit or other-

wise as may be determined by the Board of Directors; such remuneration may be either in addition to or in substitution of his share in the remuneration of Directors as provided in these by-laws."

17. The aggregate remuneration paid by the Company during its last financial year completed December 31, 1955 to directors as such was \$15,000 and the aggregate remuneration estimated to be paid or payable during the current financial year to directors as such is \$25,000. The aggregate remuneration paid by the Company during its last financial year to officers of the Company who individually as such have received remuneration in excess of \$10,000 per annum was \$66,450. The aggregate remuneration estimated to be paid or payable during the current financial year to officers of the Company who individually as such have received or may be entitled to receive remuneration in excess of \$10,000 per annum is \$70,000.

18. As referred to in paragraph 13 hereof the Company proposes to purchase certain helicopters, fixed-wing aircraft and equipment out of the proceeds of the Series A Debentures and to pay a portion of the purchase price for certain shares of TransAir Limited out of the proceeds of the 30,000 common shares referred to in paragraph 15 (ii) hereof and the Share Purchase Warrants. The Company also has agreed and proposes to purchase certain shares of Aerophysics of Canada Limited. Further particulars as to the acquisition by the Company of the shares of TransAir Limited and of Aerophysics of Canada Limited are set forth in paragraph 23 hereof. The Company has presently under construction a hangar at Uplands Airport, Ottawa, on property leased from the Crown in right of Canada (Department of Transport).

19. The hangar referred to in paragraph 18 hereof is being constructed by Tower Company Limited, 159 MacKay St., Montreal at a total estimated cost of \$135,000 (exclusive of architects' fees of 6%) pursuant to a contract dated August 22, 1956. No contracts have at the date hereof been entered into for the purchase of the helicopters, fixed-wing aircraft and equipment proposed to be purchased by the Company and the names of the vendors and the consideration are not known. The Company is to obtain an absolute title to the aircraft and equipment referred to in paragraph 18 hereof subject to the fixed mortgages in favour of the Industrial Development Bank under the security referred to in paragraph 8 hereof. Particulars as to the vendors of the shares of TransAir Limited and of Aerophysics of Canada Limited and of the consideration therefor are set forth in paragraph 23 hereof. The Company is to obtain an absolute title to the said shares of TransAir Limited and of Aerophysics of Canada Limited, subject to the floating charge in favour of the Industrial Development Bank referred to in paragraph 8 hereof, and in the case of certain of the shares of TransAir Limited, to a charge or lien on such shares to secure certain indemnities given by the present holders of such shares as referred to in paragraph 23 (c) hereof.

20. Apart from the Chattel Mortgages and the Debenture issued to the Industrial Development Bank as referred to in paragraph 8 hereof, the Series A Debentures, the 30,000 common shares and the Share Purchase Warrants referred to in paragraph 15 hereof, the Company has not issued or agreed to issue any securities within the two preceding years except for the common shares of the Company which may be issued pursuant to the Share Purchase Warrants and except for the common shares of the Company issued or agreed to be issued as referred to in paragraph 23 hereof.

21. Particulars as to the security for the Series A Debentures are set forth in paragraph 11 hereof.

22. The expenses of the issues referred to herein will be paid out of the proceeds thereof.

23. The following are particulars of the only material contracts entered into by the Company within the two preceding years apart from contracts entered into in the ordinary course of business carried on by the Company:

(a) Chattel Mortgages (2) dated July 20, 1956 and Debenture dated May 28, 1956 in favour of the Industrial Development Bank referred to in paragraph 8 hereof;

(b) Agreement dated November 9, 1956 between the Company and Gairdner, Son & Company Limited referred to in paragraph 15 hereof.

(c) Agreements dated between November 5 and November 13, 1956 (both dates inclusive) between the Company and the persons undermentioned whereby the Company agreed to purchase an aggregate of 378,181 Class B shares of TransAir Limited, being approximately 27% of the outstanding Class B shares of said Company, from the said persons at substantially \$1 per share, the consideration being payable partly in cash and partly by the issuance of common shares of the Company at \$9 per share; by the said agreements the Company undertook to assume the liabilities of the said persons under certain indemnities given by them to TransAir Limited and Arctic Wings Limited (a wholly-owned subsidiary of TransAir Limited) in connection with an aircraft accident at Lake Kaminurak in 1953 as a result of which Arctic Wings Limited has been sued for \$111,000; the number of Class B shares of TransAir Limited agreed to be purchased from the said persons individually and the means of satisfying the purchase price therefor are set out below opposite the respective names of the said persons (subject to minor cash adjustments as between the said persons):

Name and address	No. of Class B shares of TransAir Limited	Payment of Purchase Price	
		By cash	By issuance of common shares
JOHN A. ROBERTS 119 Southern Drive, Ottawa, Ontario.	42,272	\$28,750	1502
H. T. PATTERSON 14 Rosedale Avenue, Ottawa, Ontario.	42,273	28,750	1503
J. G. TOWNSEND RR No. 1, Britannia Bay, Ottawa, Ontario.	42,273	28,750	1503
W. W. PHIPPS 40 Withrow Avenue, Ottawa, Ontario.	42,273	28,751	1503
D. W. HAYWORTH, 257 Roger Road, Ottawa, Ontario.	42,272	28,750	1502
J. E. WELLS 135 Riverdale Ave., Ottawa, Ontario.	20,000	20,000	—
J. A. LYMBURNER 150 Driveway, Ottawa, Ontario.	20,000	20,000	—
G. JACOBSEN 1509 MacKay Street, Montreal, Quebec.	42,273	28,750	1503
R. L. HALL 3645 Revelstoke Drive, Ottawa, Ontario.	42,273	28,750	1502
W. H. MORTON 77 Southern Drive, Ottawa, Ontario.	42,272	28,750	1502
Total	378,181	\$270,001	12,020

(d) Agreements dated between November 5 and November 8, 1956 (both dates inclusive) between the Company and the shareholders of Aerophysics of Canada Limited, whereby the Company agreed to purchase an aggregate of 15,000 shares of Aerophysics of Canada Limited, being all the outstanding shares of said company, from the said persons in consideration of one common share of the Company for each share of Aerophysics of Canada Limited; there are more than 25 separate vendors of the said shares and the name and address of each vendor of more than 10% of the said 15,000 shares are as follows: J. A. Roberts, 119 Southern Drive, Ottawa, Ontario, R. L. Hall, 3645 Revelstoke Drive, Ottawa, Ontario and Thomas M. O'Malley, 160 St. Laurent Blvd., Ottawa, Ontario, each of whom is the vendor to the Company of 1,912 shares of Aerophysics of Canada Limited.

(e) Agreement dated November 5, 1956 between the Company and Aerophysics of Canada Limited under which the Company agreed to lend to Aerophysics of Canada Limited the sum of approximately \$91,000 for the purpose of repaying loans to that amount owing to J. A. Roberts, R. L. Hall, J. E. Wells, Thomas M. O'Malley and Dominion Aerotronics Limited.

(f) Agreements dated between November 5 and November 13, 1956 (both dates inclusive) between the Company and the undermentioned persons under which the Company agreed to issue to the undermentioned persons the number of common shares of the Company set out below opposite their respective names at \$10 per share:

Name and address	No. of Common Shares
R. L. HALL 3645 Revelstoke Drive, Ottawa, Ontario.	2,500
J. A. ROBERTS 119 Southern Drive, Ottawa, Ontario.	2,370
J. E. WELLS 135 Riverdale Ave., Ottawa, Ontario.	1,740
D. W. HAYWORTH 257 Roger Road, Ottawa, Ontario.	150
H. W. MORTON 77 Southern Drive, Ottawa, Ontario.	150
MAURICE GIROUX 392 Blake Boulevard, Eastview, Ontario.	60
Total	<u>6,970</u>

It is understood that the funds required to pay the purchase price to the Company for the 6,970 common shares referred to above are to be derived from the repayment of loans by Aerophysics of Canada Limited to certain of its creditors as referred to in clause (e) above and the moneys to be paid by the Company on the purchase for cancellation of the outstanding Class B preferred shares of the Company as referred to in paragraph 6 hereof.

(g) Agreement dated November 5, 1956 between the Company and Charles Maclachlin, Donald Maclachlin and Isolda J. Tebbitt under which the Company is to have the option to purchase from the treasury of Howard Maclachlin and Company Limited, a company incorporated under the laws of Kenya, such number of ordinary shares of that company that will result in the Company acquiring at least 51% of the authorized ordinary shares of said company for £15,000 (Sterling). \$5,000 was paid for the said option and will be applied on the purchase price if the option is exercised.

(h) Agreement dated June 15, 1956 between the Industrial Development Bank, the Company and John Arthur Roberts, Russell L. Hall and James E. Wells, as amended by letter dated November 27, 1956 from the Industrial Development Bank, under which the Company agreed to increase its authorized capital and to issue 7,500 common shares to the Industrial Development Bank in consideration of the Industrial Development Bank making the loan referred to in paragraph 8 hereof to the Company. Such 7,500 common shares were issued on November 14, 1956 to the Industrial Development Bank.

Copies of the above-mentioned agreements may be inspected during usual business hours at the head office of the Company during the period of primary distribution to the public of the Series A Debentures and the 30,000 common shares.

24. Certain directors of the Company, namely John Arthur Roberts, Russell Lindsay Hall, Donald Wray Hayworth and William Harry Morton, are interested in the shares of TransAir Limited and/or of Aerophysics of Canada Limited proposed to be acquired by the Company as referred to in clauses (c) and (d) of paragraph 23 hereof. Particulars of the nature and extent of the interest of the said directors are contained in the said clauses (c) and (d).

25. Aerophysics of Canada Limited, all the outstanding shares of which are proposed to be acquired by the Company as referred to in clause (d) of paragraph 23 hereof, was incorporated on April 20, 1955 and its business has been carried on from April 21, 1955 to date, although no operations productive of income took place in 1955.

26. No amount of the consideration received for the issue of shares of the Company without nominal or par value has been set aside as a distributable surplus in accordance with the provisions of sub-section 10 of Section 12 of the Companies Act (Canada).

27. The Company has no knowledge of any persons who, by reason of beneficial ownership of securities of the Company (as distinguished from the apparent rights of ownership disclosed by the books of the Company, the entries on which speak for themselves) or by reason of any agreement in writing are in a position to, or are entitled to, elect or cause to be elected a majority of the directors of the Company.

28. The Company has no knowledge of any securities of its issue being held in escrow.

29. Dividends have been paid by the Company during years 1951 to 1956 inclusive as follows:

Calendar Year	Common Shares	Series A Preferred Shares	Series B Preferred Shares (Note 2)
1951	Nil	\$1,260	
1952	Nil	Nil	
1953	\$3,000	\$3,839.65	
1954	Nil	Nil	
1955	\$15,000	\$6,381.61	
1956 (to date) (Note 1)	\$9,827	\$2,520	Nil

Notes: 1. In addition in 1956 dividends of \$5,173 have been declared on the common shares and dividends of \$5,160 have been declared on the Series A Preferred Shares, which dividends are unpaid at the date hereof.

2. No Series B Preferred Shares were outstanding prior to December, 1955. The dividends on the common shares shown above as paid in 1956 were declared prior to the issue of the Series B preferred shares.

30. The Company was incorporated as a private company and by supplementary letters patent dated November 14, 1956 was converted to a public company.

DATED this 28th day of November, 1956.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 13 of The Security Frauds Prevention Act (New Brunswick), and under an Act Respecting Securities (3-4 Elizabeth II, chap. 11, Statutes of Quebec), and by Section 39 of The Securities Act, 1954 (Saskatchewan), and there is no further material information applicable other than in the financial statements or reports where required or exigible.

Directors

F. T. BRIGGS
by his agent
(Signed) W. H. MORTON

J. S. GAIRDNER
by his agent
(Signed) J. A. Roberts

(Signed) R. L. HALL

(Signed) D. W. HAYWORTH

(Signed) W. H. MORTON

(Signed) J. A. ROBERTS

(Signed) L. N. WATT

Underwriter

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 13 of The Security Frauds Prevention Act (New Brunswick), and under an Act Respecting Securities (3-4 Elizabeth II, chap. 11, Statutes of Quebec), and by Section 39 of The Securities Act (Saskatchewan), and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge, we have relied upon the accuracy and adequacy of the foregoing.

GAIRDNER, SON & COMPANY LIMITED
By (Sgd.) D. A. PERIGOE

